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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 001689

SIPDIS

DEPT PLEASE PASS TO E, EB, SA/INS, SA/RA, DRL
DEPT ALSO PASS TO USAID FOR BERNADETTE BUNDY - ANE/SA
DEPT ALSO PASS USTR FOR AUSTR WILLS
TREASURY FOR JERRY ADKINS
DOL FOR SUDHA HALEY
NSC FOR ELIZABETH MILLARD
COMMERCE FOR ARIADNE BENAISSA

E.O. 12958: DECL: ONE YEAR AFTER CONCLUSION OF US-SL FTA
TAGS: [ETRD](#) [EAID](#) [ECON](#) [EFIN](#) [KIPR](#) [ELAB](#) [PREL](#) [CE](#) [ECONOMICS](#)
SUBJECT: GSL READY TO NEGOTIATE FTA BASED ON SINGAPORE AND CHILE MODELS

Ref: Colombo 1673

1. (U) Classified by DCM James F. Entwistle for reasons 1.5 B and D.

2. (C) Summary: In a meeting with GSL Advisor Jim Robertson, Econoffs learned that the GSL intends to provide USTR a draft negotiating document today (Monday, September 29). Reportedly, the GSL is prepared to meet most of the criteria outlined in the Singapore and Chile FTAs, will focus much of its discussion on rule of origin issues and would be able to accept faster phase-out timelines (probably 10 years maximum) than either Chile or Singapore. The GSL acknowledges USG concerns about the GSL's ability to implement the agreement, and sees that as the major hurdle it has to overcome. As Post outlined in refel, a US commitment to negotiate, followed by a six month review period, would give the GSL time to prove its mettle on this issue. End Summary.

3. (C) In separate channels we have reported earlier information that a GSL-sponsored review of the Chile and Singapore FTAs would indicate GSL concerns in four areas: investment, national treatment, financial services and government procurement. During a September 29 meeting with Jim Robertson, a World Bank-funded advisor to the PM and the Ministry of Policy Development and Implementation, however, we learned that the GSL believes they can adopt language that is very similar to the Chile and Singapore FTAs. Their major questions involve rule of origin and how apparel will be treated. According to Robertson, during meetings with USTR Zoellick and AUSTR Wills on Monday, September 29, Sri Lankan Ambassador to the US Devinda Subasinghe intends to present a draft negotiating document. This has been prepared by Robertson's staff, through a line-by-line analysis of the Singapore and Chile FTAs, and vetted with Sri Lanka's consulting firm Sandler, Travis and Rosenberg.

4. (C) According to Robertson, the GSL is able to meet the stringent policy requirements of the Chile or Singapore FTAs. The PM is committed to liberal trade in goods and services and has a history of support of foreign investment. Robertson said agreement on trade in goods could be implemented quickly and trade in services would take a little longer. Exchange controls have long been removed (aside from some that remain in the capital account). The GSL could also accept faster timelines for tariff phase-out than either Singapore or Chile with the longest phase-outs running at 10 years - mostly on basic agricultural commodities.

5. (C) On the rule of origin question, Robertson said the GSL has heard that, in the US-Morocco FTA negotiations, the US is pushing for standard rule of origin requirements to apply across the board. The GSL, Robertson believes, could support such a standard. On the garment-front, Sandler, Travis and Rosenberg have reportedly told the GSL they will face a proposed yarn-forward rule of origin clause and should try to come up with compromises within that framework to address specific GSL concerns for the garment industry.

6. (C) Robertson then commented that the GSL's main worry is whether the US believes Sri Lanka can implement the provisions of an agreement (note: a concern post has raised in refel). He cited the black eye the GSL received internationally over the labor dispute at the garment firm Jaqalanka, and our repeated comments regarding implementation of IPR enforcement mechanisms. (We are reporting on Labor and IPR as they relate to a FTA septel.) To guide implementation plans, Robertson said a review of existing laws and regulations would identify obstacles, which would need to be removed through legislation or new regulations.

7. (C) Comment: This account is more positive than we had

previously heard and presents a fairly confident attitude on the part of the GSL that they can meet the criteria in the Singapore and Chile FTAs. Robertson mentioned that the GSL views its best chance for a FTA is to offer the prospect of quick negotiations that do not take a lot of USTR's negotiating time. We were interested to learn of Subasinghe's meeting with Zoellick and Wills and his readiness to hand over a draft negotiating document. The GSL is aware of our concerns over implementation but, through the mechanism outlined in reftel, including concrete steps on IPR, labor and government procurement, the GSL would have an opportunity to show over a six month period that it could deliver. End Comment.

LUNSTEAD